

Gas Risk Mitigation Strategies

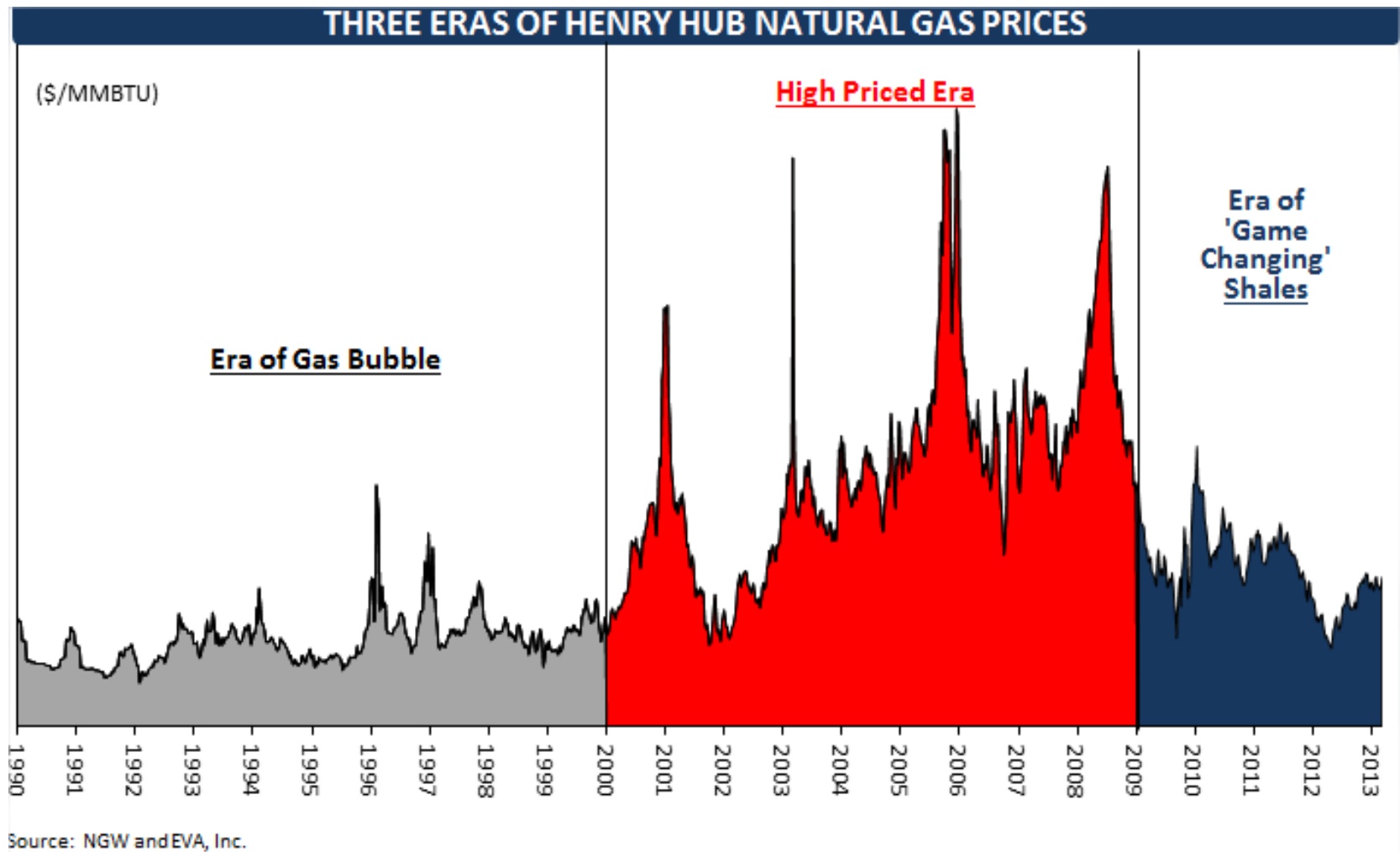


Energy  **Solutions** INC
natural gas buying advisors

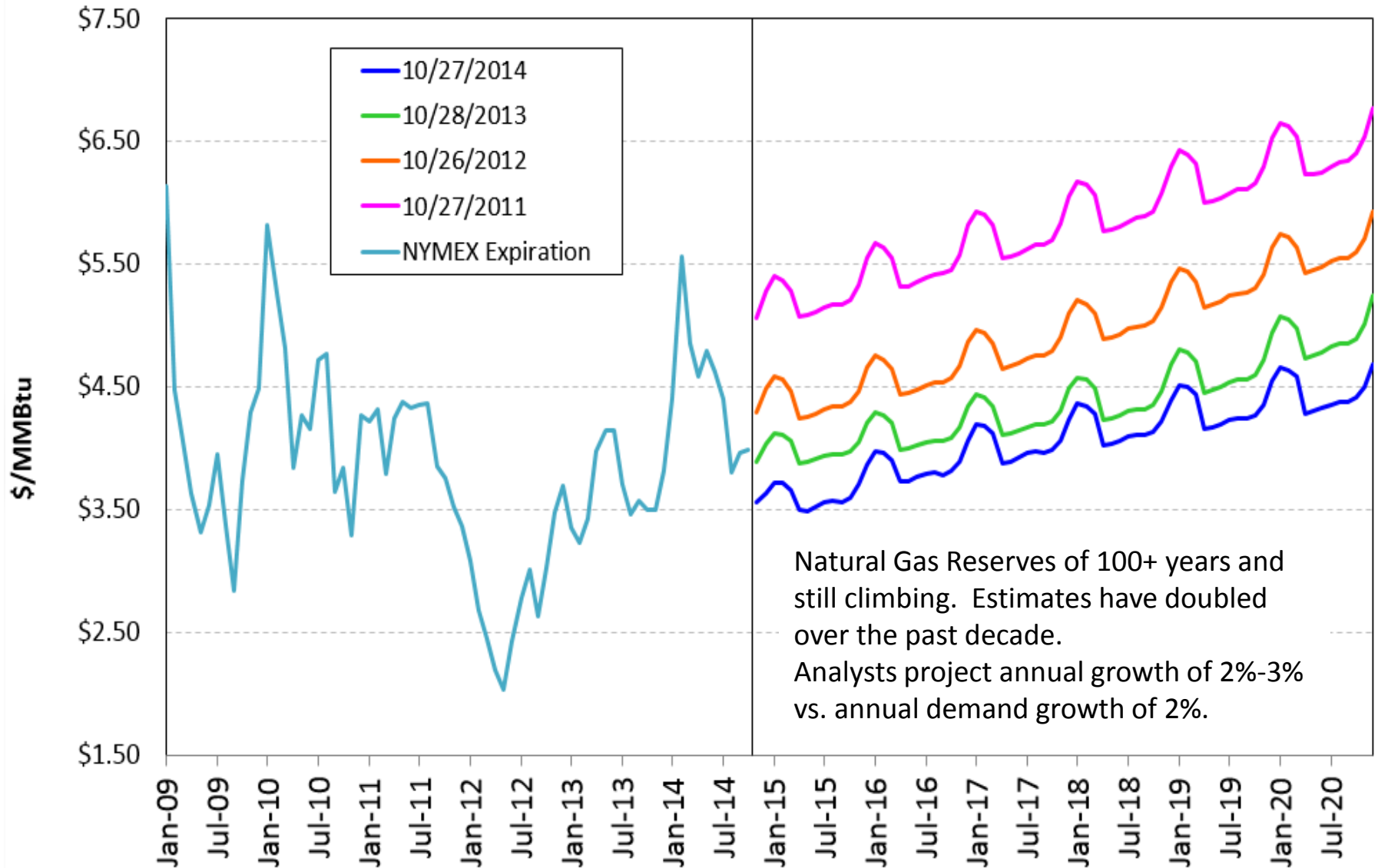


- An INDEPENDENT energy consulting company since 1996
 - No affiliation with any marketer, broker, agent, utility, pipeline or producer.
 - More than two decades of experience in the natural gas and electric industries
 - Specialize in natural gas and electricity buying advice for businesses and the development and implementation of proactive purchasing plans.
 - Publications, Seminars, & Consulting Services

A Continually Changing Market



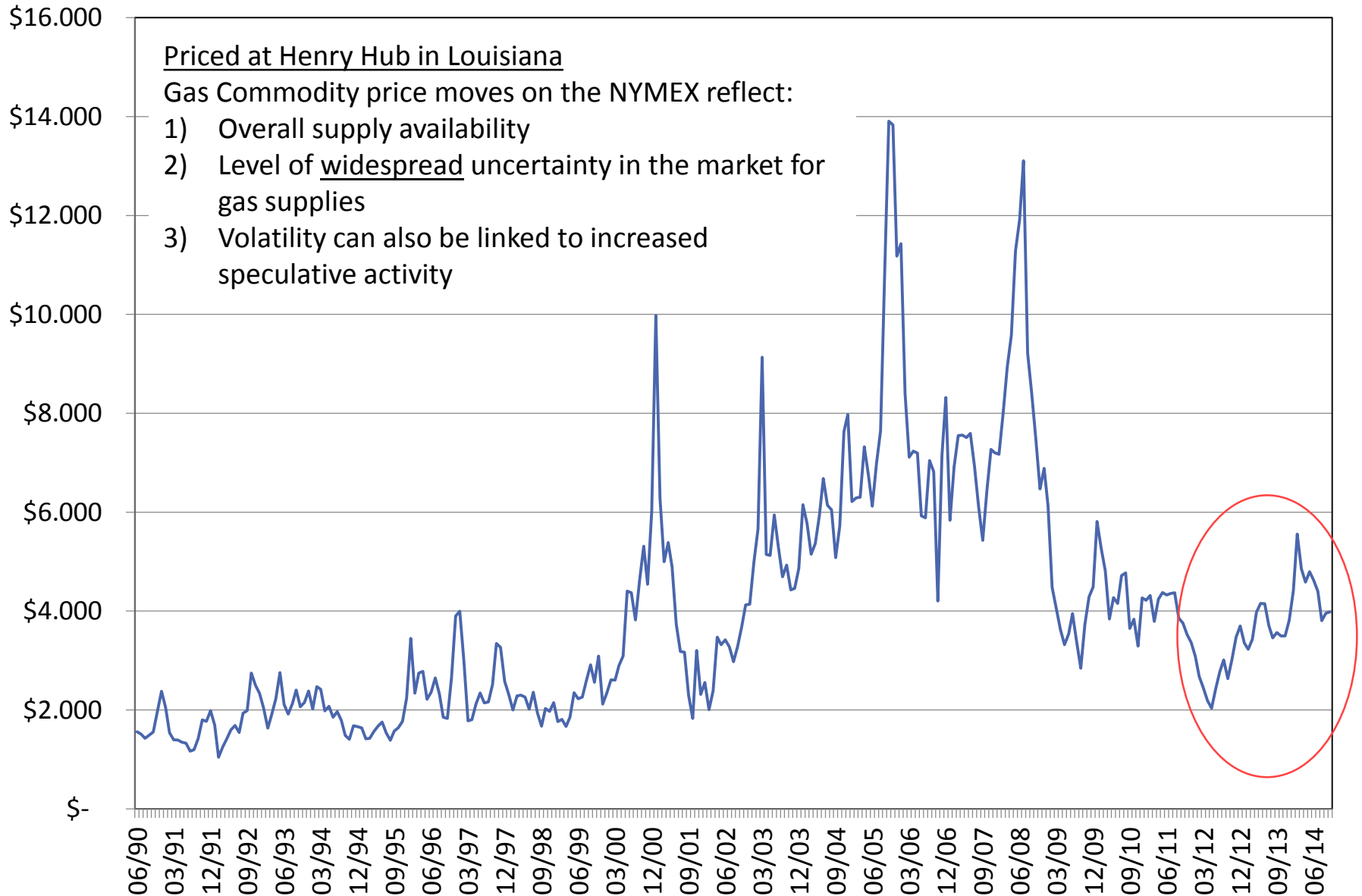
History versus Forward Natural Gas NYMEX Prices: Four-Year Comparison



Securing Commodity (NYMEX) in Advance

- Natural gas NYMEX prices trade 12 years into the future.
 - Physically priced at the Henry Hub in Louisiana.
- Can be influenced by speculative trading.
- Transparent market.
- Last winter's supply prices didn't skyrocket, which sends an indication that there is plenty of supply availability.

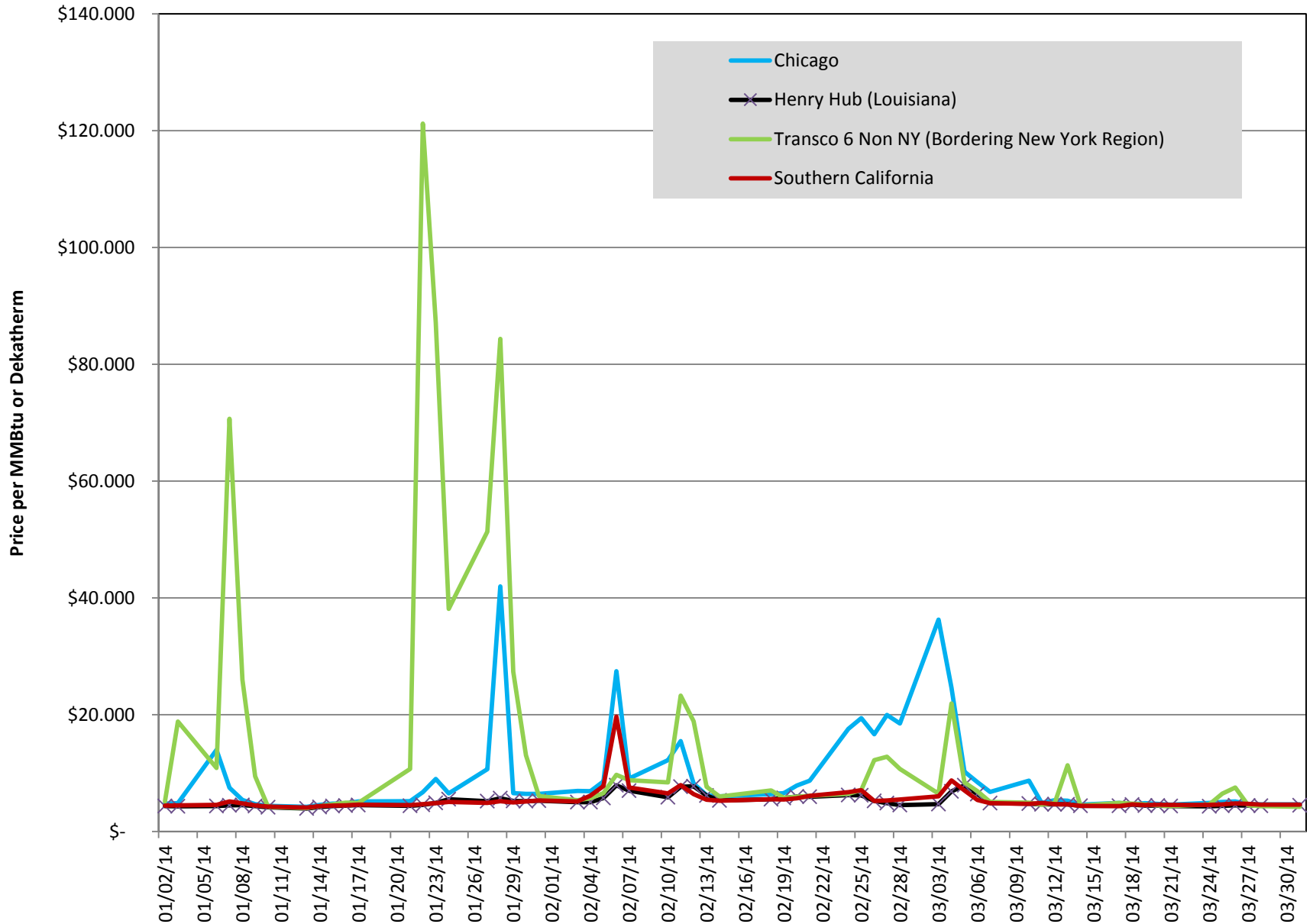
Natural Gas Monthly NYMEX Expirations (Per MMBtu)



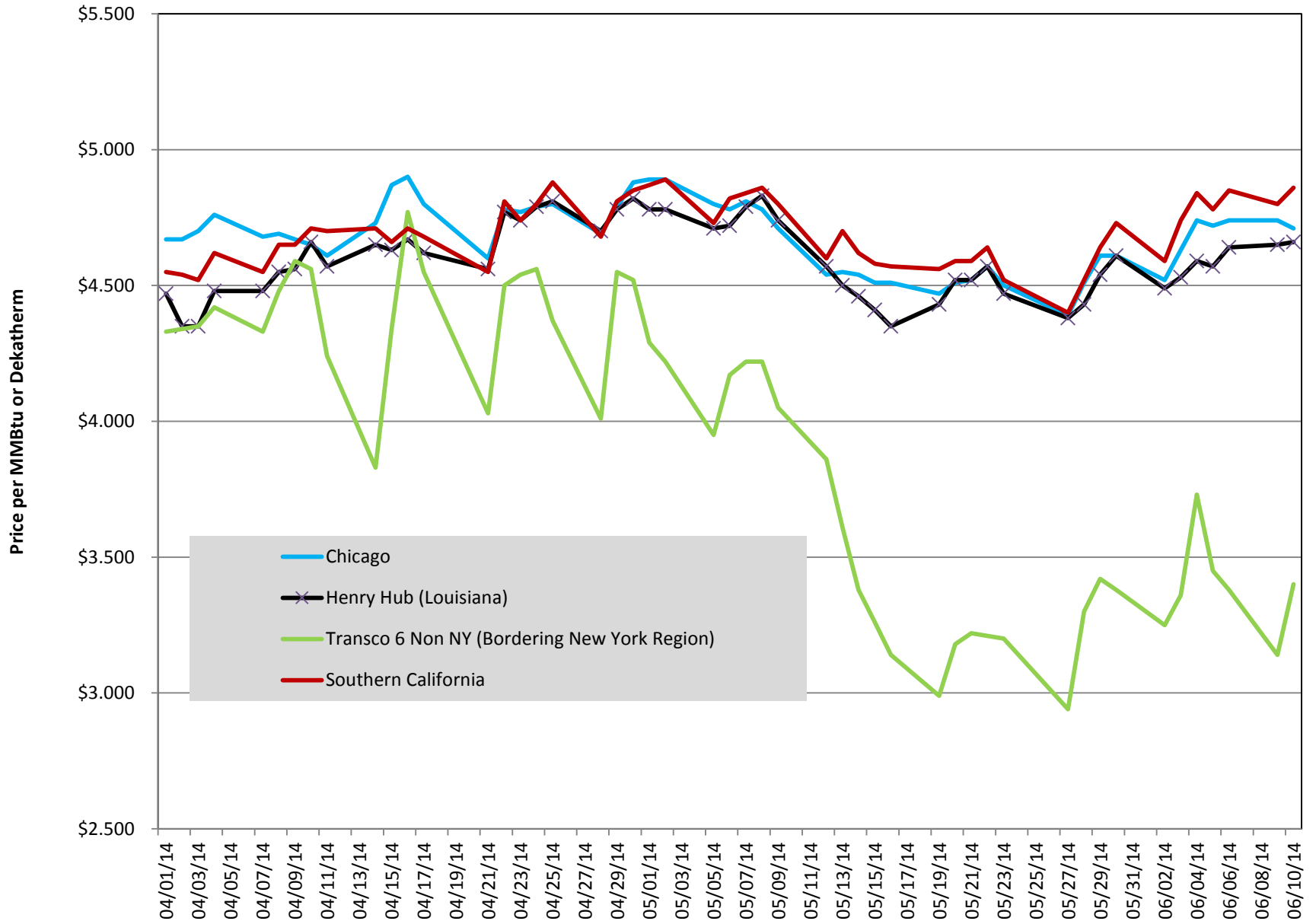
Securing Basis in Advance

- Forward Basis is the projected FUTURE price difference between the Henry Hub natural gas NYMEX expiration price and the corresponding beginning-of-month price (physical price) at another specified location.
- Upside risk vs. downside potential.
- No “transparent” futures market for basis.
 - Can get price quotes from your supplier.
- Market is “jittery” after last year
 - Forward basis carrying a substantial premium for the winter months (has been since last winter)
 - Will be very dependent on winter weather, but higher supply levels available than one year ago.
 - Cold weather more likely to result in short-term soaring basis prices.

Natural Gas Daily Spot Prices



Natural Gas Daily Spot Prices



Beyond This Winter

- Year-over-year storage deficit should flip to a surplus by year-end.
- Storage inventories on April 1, 2015, projected to be around 1,500-1,600 Bcf (double last year's levels).
- October 31, 2014, production report shows a 5 Bcf/day increase over one year ago, and a 4 Bcf/day increase over January 2014 (that's 604 Bcf more gas available this winter).
 - Consumption is projected to climb by 0.5 Bcf/day in 2015.
- There are 12 new pipelines in service in the Northeast, capable of moving an extra 2 Bcf/day to Northeast markets. These weren't in service last winter.
- Natural gas drilling rig count jumped in last few weeks, and has returned to February 2014 levels.
- 739 wells ready to come into service in the Marcellus, Utica, and Haynesville Shale basins.
- But ... in the next 2-5 years, new demand will enter the picture.

Your Responsibilities

- Know how much risk you can handle or tolerate.
 - Recognize that “doing nothing” is a decision too.
- Understand budgetary needs and market risks.
- Understand your contract and pricing structure with your supplier.
- Understand what your marketer does or doesn't provide for in terms of market guidance and assistance with managing your risk.

What offers:

The logo for Energy Solutions INC features the company name in a bold, blue, sans-serif font. A stylized blue flame icon is positioned between the words 'Energy' and 'Solutions'. Below the main text, the tagline 'natural gas buying advisors' is written in a smaller, lighter blue font.

- We help you with those previously-mentioned responsibilities ... PLUS,
- We work for you ... on your behalf.
- We watch the market so you don't have to.
- We bring NYMEX and basis buying opportunities to you for evaluation.
- We work directly with your natural gas marketer or we can help you select a marketer that is right for you.

WE CAN LOOK AT THE SAME PICTURE AND SEE SOMETHING DIFFERENT

NO ONE
CAN
PREDICT
THE
MARKET!

You can only
take the data,
interpret it and
make informed
decisions!



Thank You

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